



County of Los Angeles CHIEF EXECUTIVE OFFICE

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April 8, 2013

To: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to read "WTF", is placed next to the "From:" line.

SACRAMENTO UPDATE

Executive Summary

This memorandum provides information on the following:

- **Pursuit of County Position on a State Budget Trailer Bill Item.** The Administration has proposed budget trailer bill language which would change the growth formula for 1991 Realignment Mental Health and the CalWORKs Maintenance of Effort (MOE) Subaccounts. Under this proposal, growth above a cap of \$1.121 billion would be redirected away from county mental health programs with the State and counties sharing the growth funds equally. Therefore, unless otherwise directed by the Board, consistent with existing policy to oppose any proposal to redirect 1991 Realignment funding from counties to the State and to preserve 1991 Realignment funding, **the Sacramento advocates will oppose the proposed budget trailer bill to change the growth formula for mental health realignment funds.**

"To Enrich Lives Through Effective And Caring Service"

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Pursuit of County Position on a State Budget Trailer Bill Item

The Administration has proposed budget trailer bill language related to growth funding for the 1991 Realignment Mental Health and the CalWORKs Maintenance of Effort (MOE) Subaccounts. Specifically, the proposal would change the growth formula for mental health realignment funds, beginning in FY 2015-16, with the State and counties sharing the growth funds equally.

SB 1020 (Chapter 40, Statutes of 2012) established the fiscal structure for the 2011 Public Safety Realignment which specifies that 1991 Realignment funds, which would otherwise have been deposited into the Mental Health Subaccount, instead be deposited into the CalWORKs MOE Subaccount. This funding is used by counties to meet their CalWORKs MOE obligation. Under SB 1020, funds are deposited into the CalWORKs MOE Subaccount until it reaches a cap of \$1.121 billion at which time excess funds would be allocated to the Mental Health Subaccount to counties for mental health programs.

The Administration's rationale for this budget trailer bill proposal is that the structure for the CalWORKs MOE Subaccount was in place before the Coordinated Care Initiative and the county In-Home Supportive Services (IHSS) MOE were finalized. The State indicates this change will result in lower than usual Social Services Subaccount caseload growth which will result in increased growth dollars to all of the Subaccounts in 1991 Realignment (Health, Mental Health, Social Services). The Administration also states that Social Services caseload growth has first priority on growth dollars in the 1991 Realignment funding structure.

In 2011, as directed by the Board, this office and the Sacramento advocates met with Governor Brown, his staff and members of the Legislature to express the Board's position that the Governor's 2011 Public Safety Realignment proposal contain a constitutional guarantee to cover costs of realigned programs and to provide reasonable growth for the first five years of realignment. The Board supported the Governor's November 2012 ballot initiative, Proposition 30, which was approved by the voters and constitutionally guarantees 2011 Realignment revenues to counties.

Also, as directed by the Board, with regard to the Governor's proposed expansion of the Medi-Cal Program to newly eligible persons, the Sacramento advocates have expressed to the Governor and the Legislature the Board's opposition to any proposal to redirect 1991 Realignment funding from counties to State. The Administration's budget trailer proposal would redirect 50 percent of the growth in funding from the CalWORKs MOE account above the cap of \$1.121 billion to the State resulting in a net loss of funding to the County.

The Department of Mental Health Services (DMH) indicates that the Administration's proposal would be a reduction of \$34.0 million Statewide and represents roughly 50 percent of the growth counties were expected to receive for mental health services under the allocation formula negotiated with the State. DMH estimates this would result in a County loss of approximately \$12.0 million if implemented in FY 2013-14 and would come at a time when the department is experiencing caseloads increases for children who will transition from Healthy Families to the Medi-Cal Program and who need county mental health services.

According to the Department of Public Social Services (DPSS), this proposal would not have an impact to the Department because the additional funding from mental health that would be redirected to the CalWORKs MOE Subaccount would supplant current funding to meet the County's CalWORKs MOE obligation, resulting in no additional benefit to DPSS.

The California State Association of Counties (CSAC) is opposed to the Administration's proposal because it would decrease mental health revenues to counties. CSAC indicates that counties agreed to the 2011 Realignment fiscal structure, described above, based on the assumption that 1991 Realignment revenues for mental health would be no worse off due to the 2011 fiscal transaction. Further, CSAC notes that county mental health systems have a number of anticipated costs that underscore the need for these revenues, including \$20.0 million to \$40.0 million in anticipated additional costs associated with existing Medi-Cal eligible persons who will enroll due to outreach efforts associated with the implementation of the Federal Affordable Care Act in January 2014.

The California Mental Health Directors Association (CMHDA) also opposes the Administration's proposal and indicates it would have the net effect of reducing community mental health funding by approximately \$34.0 million Statewide, if it were implemented in FY 2013-14. CMHDA is concerned that this proposal would establish a precedent for the erosion of the agreements the State made with counties in 2011 Public Safety Realignment and would jeopardize the local mental health system.

The Department of Mental Health and this office oppose the Administration's proposed budget trailer bill. Therefore, unless otherwise directed by the Board, consistent with existing policy to oppose any proposal to redirect 1991 Realignment funding from counties to the State and to preserve 1991 Realignment funding, **the Sacramento advocates will oppose the proposed budget trailer bill to change the growth formula for mental health realignment funds.**

Each Supervisor
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This item was heard in the Assembly Budget Subcommittee No. 1 on Health and Human Services on March 18, 2013. The subcommittee held action on this item until the May Budget Revision. The Senate Budget Subcommittee No. 3 on Health and Human Services is scheduled to hear this item on April 18, 2013.

We will continue to keep you advised.

WTF:RA
MR:VE:OR:ma

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants